FORM 10-Q

Securities and Exchange Commission
Washington, D.C. 20549

(Mark One)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 1998

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From ____________ to ____________

Commission file number 1-8801

GRAHAM-FIELD HEALTH PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Delaware	11-2578230
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 Rabro Drive East, Hauppauge, New York 11788
(Address of principal executive offices)
(Zip Code)

(516) 582-5900
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes __X__ No _____

Applicable Only to Issuers Involved in Bankruptcy
Proceedings During the Preceding Five Years:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.
Yes _____ No _____

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $.025 Par Value --- 31,234,668 shares as of August 11, 1998

GRAHAM-FIELD HEALTH PRODUCTS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
GRAHAM-FIELD HEALTH PRODUCTS, INC. AND SUBSIDIARIES

ASSETS	June 30, 1998 (unaudited)	December 31, 1997 (audited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,426,000	$ 4,430,000
Accounts receivable - less allowances for doubtful accounts of $8,636,000 and $13,199,000, respectively	102,069,000	91,451,000
Inventories	76,365,000	73,532,000
Other current assets	16,225,000	8,103,000
Recoverable and prepaid income taxes	5,225,000	4,422,000
Deferred tax assets	10,843,000	10,695,000
Asset held for sale	-	61,706,000
TOTAL CURRENT ASSETS	214,153,000	254,339,000
PROPERTY, PLANT AND EQUIPMENT - net	37,664,000	35,955,000
EXCESS OF COST OVER NET ASSETS ACQUIRED - net of accumulated amortization of $15,561,000 and $11,512,000, respectively	234,433,000	240,071,000
DEFERRED TAX ASSETS	3,383,000	3,044,000
OTHER ASSETS	15,611,000	13,709,000
TOTAL ASSETS	$505,244,000	$ 547,118,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Credit facility	$ 35,462,000	$ 65,883,000
Current maturities of long-term debt	1,803,000	2,619,000
Accounts payable	32,541,000	33,888,000
Accrued expenses	42,949,000	54,331,000
TOTAL CURRENT LIABILITIES	112,755,000	156,721,000
Long-term debt and Senior Subordinated Notes	106,933,000	107,733,000
Other long-term liabilities	15,144,000	13,816,000
TOTAL LIABILITIES	234,832,000	278,270,000
STOCKHOLDERS' EQUITY:		
Series A preferred stock	-	-
Series B preferred stock	28,200,000	28,200,000
Series C preferred stock	3,400,000	3,400,000
Common stock	799,000	764,000
Additional paid-in capital	284,261,000	279,341,000
(Deficit)	(46,227,000)	(42,953,000)
Cumulative translation adjustment	(21,000)	96,000
TOTAL STOCKHOLDERS' EQUITY	270,412,000	268,848,000
COMMITMENTS AND CONTINGENCIES		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$505,244,000	$ 547,118,000

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS --Continued
GRAHAM-FIELD HEALTH PRODUCTS, INC. AND SUBSIDIARIES
(Unaudited)

6. ACQUISITION OF BUSINESSES

On December 30, 1997, the Company acquired Fuqua Enterprises, Inc. (currently, Lumex/Basic American Holdings, Inc.) ("Fuqua") pursuant to an Agreement and Plan of Merger (the "Fuqua Merger Agreement"), dated as of September 5, 1997 and amended as of September 29, 1997, by and among Fuqua, GFHP Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company ("Sub"), and the Company. Under the terms of the Fuqua Merger Agreement, Sub was merged with and into Fuqua with Fuqua continuing as the surviving corporation wholly-owned by the Company (the "Fuqua Merger"). In the Fuqua Merger, each share of Fuqua's common stock, par value $2.50 per share (the "Fuqua Common Stock"), other than shares of Fuqua Common Stock canceled pursuant to the Fuqua Merger Agreement, was converted into the right to receive 2.1 shares of common stock, par value $.025 per share of the Company (the "Company Common Stock"). There were 4,482,709 shares of Fuqua Common Stock outstanding on December 30, 1997, which converted into 9,413,689 shares of the Company Common Stock.

In accordance with the terms of the Fuqua Merger Agreement, each Fuqua stock option was assumed by Graham-Field and was converted into the right to purchase shares of the Company Common Stock. As of the effective date of the Fuqua Merger, there were Fuqua stock options outstanding representing the right to purchase 421,500 shares of Fuqua Common Stock. The equivalent number of shares of the Company Common Stock to be issued, after giving effect to the exercise price of the Fuqua stock options as adjusted for the exchange ratio of 2.1, is approximately 364,319 shares of the Company Common Stock. For purposes of calculating the purchase price, the Company Common Stock was valued at $16.69 per share, which represents the average closing market price of the Company Common Stock for the period three business days immediately prior to and three business days immediately after the announcement on September 8, 1997 of the execution of the Fuqua Merger Agreement.

The acquisition of Fuqua has been accounted for under the purchase method of accounting and, accordingly, the operating results of Fuqua have been included in the Company's consolidated financial statements from the date of acquisition. The excess of the aggregate purchase price over the estimated fair market value of the net assets acquired is approximately $132,500,000, as adjusted, which is being amortized on a straight line basis over 30 years. The purchase price allocations were made on a preliminary basis, and are subject to additional adjustment.

In connection with the Fuqua Merger, the Company acquired the leather operations of Fuqua ("Leather Operations"). It was the Company's intention to dispose of this Leather Operations as soon as reasonably practicable following the consummation of the Fuqua Merger. Accordingly, the net assets of the Leather Operations have been reflected as "Assets held for sale" in the accompanying consolidated balance sheet as of December 31, 1997. The net asset value of the Leather Operations includes the value of the proceeds that were realized from the sale of the Leather Operations. The Company did not record any earnings or losses for the Leather Operations for the period December 30, 1997 to January 27, 1998 (date of disposal).

On January 27, 1998, Fuqua disposed of the Leather Operations (the "Leather Sale Transaction") through the sale of all of the capital stock of Irving Tanning Company ("ITC"), Hancock Ellsworth Tanners, Inc., Kroy Tanning Company, Incorporated and Seagrave Leather Corporation (collectively, the "Leather Companies"), to the management of ITC pursuant to a (i) Stock Purchase Agreement dated as of January 27, 1998, by and among IT Acquisition Corporation ("ITAC"), the Company and Fuqua, and (ii) Stock Purchase Agreement dated as of January 27, 1998, by and among HEKS Corporation, the

Company and Fuqua. The aggregate selling price for the Leather Companies consisted of (a) $60,167,400 in cash, (b) an aggregate of 5,000 shares of Series A Preferred Stock of ITAC with a stated value of $4,250,000 (which has been valued at $1,539,000), and (c) the assumption of debt of $2,341,250. In addition, as the holder of the ITAC Preferred Stock, the Company is entitled to appoint one director to the Board of Directors of ITAC.

On August 28, 1997, the Company acquired all of the issued and outstanding shares of the capital stock of Medical Supplies of America, Inc., a Florida corporation ("Medapex"), pursuant to an Agreement and Plan of Reorganization (the "Reorganization Agreement") dated August 28, 1997, by and among the Company, S.E. (Gene) Davis and Vicki Ray (collectively the "Medapex Selling Stockholders"). In accordance with the terms of the Reorganization Agreement, Medapex became a wholly-owned subsidiary of the Company and the Medapex Selling Stockholders received in the aggregate 960,000 shares of Company Common Stock in exchange for all of the issued and outstanding shares of the capital stock of Medapex. Pursuant to a Real Estate Sales Agreement dated as of August 28, 1997 (the "Real Estate Sales Agreement"), by and between the Company and BBD&M, a Georgia Limited Partnership and an affiliate of Medapex, the Company acquired Medapex's principal corporate headquarters and distribution facility in Atlanta, Georgia for a purchase price consisting of (i) $622,335 payable (a) by the issuance of 23,156 shares of the Company Common Stock and (b) in cash in the amount of $311,167, and (ii) the assumption of debt in the amount of $477,664. Each of the Medapex Selling Stockholders entered into a two-year employment agreement and non-competition agreement with the Company. The Medapex transaction was accounted for as a pooling of interests and the Company's historical financial statements have been restated to reflect this transaction.

The results of operations previously reported by the separate enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below.

	Three Months Ended June 30, 1997	Six Months Ended June 30, 1997
Net revenues:		
Graham-Field	$ 57,828,000	$109,160,000
Medapex	5,003,000	10,006,000
Combined	$ 62,831,000	$119,166,000
Net income:		
Graham-Field	$ 2,616,000	$ 4,700,000
Medapex	97,000	196,000
Combined	$ 2,713,000	$ 4,896,000

On August 17, 1997, the Company acquired substantially all of the assets and certain liabilities of Medi-Source, Inc. ("Medi-Source"), a privately-owned distributor of medical supplies, for $4.5 million in cash. The Company also entered into a five (5) year non-competition agreement with the previous owner in the aggregate amount of $301,000 payable over the five (5) year period. The acquisition was accounted for as a purchase, and accordingly, assets and liabilities were recorded at fair value at the date of acquisition and the results of operations are included subsequent to that date. The excess of the purchase price over net assets acquired was approximately $3.7 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS --Continued
GRAHAM-FIELD HEALTH PRODUCTS, INC. AND SUBSIDIARIES
(Unaudited)

On June 25, 1997, the Company acquired all of the capital stock of LaBac Systems, Inc., a Colorado corporation ("LaBac"), in a merger transaction pursuant to an Agreement and Plan of Merger dated June 25, 1997, by and among the Company, LaBac Acquisition Corp., a wholly-owned subsidiary of the Company, LaBac, Gregory A. Peek and Michael L. Peek (collectively, the "LaBac Selling Stockholders"). In connection with the acquisition, LaBac became a wholly-owned subsidiary of the Company, and the LaBac Selling Stockholders received in the aggregate 772,557 shares of Company Common Stock valued at $11.77 per share in exchange for all of the issued and outstanding shares of the capital stock of LaBac. The Company also entered into a three (3) year consulting agreement with the LaBac Selling Stockholders and an entity controlled by the LaBac Selling Stockholders, and non-competition agreements with each of the LaBac Selling Stockholders. The acquisition was accounted for as a purchase and accordingly, assets and liabilities were recorded at fair value at the date of acquisition and the results of operations are included subsequent to that date. The excess of cost over net assets acquired amounted to approximately $7.7 million, as adjusted.

On March 7, 1997, Everest & Jennings, Inc., a wholly-owned subsidiary of the Company, acquired Kuschall of America, Inc. ("Kuschall"), a manufacturer of pediatric wheelchairs, high-performance adult wheelchairs and other rehabilitation products, for a purchase price of $1.5 million representing the net book value of Kuschall. The purchase price was paid by the issuance of 116,154 shares of Company Common Stock valued at $13.00 per share, of which 23,230 shares were delivered into escrow. The escrow shares will be released on March 7, 1999, subject to any purchase price adjustments in favor of the Company and claims for indemnification. The acquisition was accounted for as a purchase and accordingly, assets and liabilities were recorded at fair value at the date of acquisition and the results of operations are included subsequent to that date.

On February 28, 1997, Everest & Jennings Canadian Limited ("Everest & Jennings Canada"), a wholly-owned subsidiary of the Company, acquired substantially all of the assets and certain liabilities of Motion 2000 Inc. and its wholly-owned subsidiary, Motion 2000 Quebec Inc., for a purchase price equal to Cdn. $2.9 million (Canadian Dollars) (approximately U.S. $2.15 million). The purchase price was paid by the issuance of 187,733 shares of the Company Common Stock valued at $11.437 per share. The acquisition was accounted for as a purchase and accordingly, assets and liabilities were recorded at fair value at the date of acquisition and the results of operations are included subsequent to that date. The excess of cost over the net assets acquired amounted to approximately $2.5 million.

The following summary presents unaudited pro forma consolidated results of operations for the six months ended June 30, 1997 as if the acquisitions described above occurred at the beginning of 1997. This information gives effect to the adjustment of interest expense, income tax provisions, and to the assumed amortization of fair value adjustments, including the excess of cost over net assets acquired. The pro forma information does not include the write-off of certain purchased in-process research and development costs of $3.3 million, and merger, restructuring and other related charges of $31,202,000 associated with the Company's strategic restructuring initiatives recorded in the fourth quarter ended December 31, 1997.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS --Continued
GRAHAM-FIELD HEALTH PRODUCTS, INC. AND SUBSIDIARIES
(Unaudited)

	Pro Forma Six Months Ended June 30, 1997	
Net Revenues	$ 182,439,000	
Income Before Income Taxes	$ 8,667,000	
Income Taxes	$ 4,145,000	
Net Income	$ 4,522,000	
Net income per common share:		
Net income	$ 4,522,000	
Preferred stock dividends	-	(a)
Net income available to common shareholders	$ 4,522,000	
Common shares outstanding - basic	30,254,000	
Convertible preferred stock	4,435,000	
Incremental shares using treasury stock method	1,272,000	
Common shares outstanding - diluted	35,961,000	
Basic earnings per share	$ .15	
Diluted earnings per share	$ .13	

(a) Assumes conversion of the preferred stock and elimination of any dividends relating to such preferred stock.

7. ACQUISITION INTEGRATION AND RESTRUCTURING PLAN

In connection with the acquisition of Fuqua on December 30, 1997, the Company adopted a plan to implement certain strategic restructuring initiatives (the "Restructuring Plan") and recorded restructuring reserves of $23,470,000. The plan consists of a broad range of efforts, including the consolidation of the Company's Temco manufacturing operations in New Jersey into Fuqua's Lumex manufacturing facility in New York and relocation of the Company's corporate headquarters to the Lumex facility. In addition, the Company plans to consolidate certain distribution facilities and other operations in an effort to improve manufacturing, distribution and operating efficiencies.

Throughout 1998, the Company will continue to evaluate its Restructuring Plan and additional restructuring charges may be necessary.